



U.S. Protein Supply Heading Higher in 2015-16

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Inside this Issue...

Growing Supplies	1
Pork	3
Chicken	4
Beef.....	6
Conclusion.....	7

Key Points:

- *Over the past few years, the beef, pork, and chicken industries have all suffered from a combination of drought, elevated grain prices, disease, and productivity issues. In 2015, those challenges are beginning to give way and meat supplies are on the rise.*
- *The animal protein complex is now growing domestic supplies at the fastest rate in nearly forty years. Combined supplies of red meat and poultry are on pace to grow by 4 percent in 2015.*
- *With each protein species at a different stage of its supply cycle, some are growing much faster than others. Beef supplies will remain flat in 2015, while pork and chicken supplies are each expected to increase by nearly 6 percent.*
- *Looking ahead, pork and chicken supplies will grow more slowly in 2016 and 2017, while gains in beef supplies will pick up steam.*
- *This abundance of supply will result in an erosion of meat prices over the next two years. Price pressure will vary across the complex, with poultry and pork prices being the most vulnerable.*
- *Larger supplies will cause prices to decline, but will also improve capacity utilization for some links in the supply chain. Margins will improve for cattle feedyards, packing facilities, and retailers, but compress for animal producers and integrated operations.*

Growing Supplies

The animal protein complex is growing domestic supplies at the fastest rate in nearly forty years. At midyear 2015, the total supply of U.S. red meat and poultry per capita was on pace for 4 percent growth for the year as a whole, the fastest rate since 1976. Moreover, the total per capita meat supply (See Exhibit 1) is expected to continue to grow through 2016, albeit at a somewhat slower pace. The two main drivers behind this surge are record meat production in the U.S. and a shift in the international net trade balance.